

Germany's Presidency in the G20 (I)

Initiatives in Development Cooperation

Working Group of Young Foreign Policy Experts

Key Points

- **Germany supports the creation of a single global sustainability seal. This will raise its profile as a global leader** with regard to social and ecological sustainability in development cooperation and as a model for the promotion of fair and transparent conditions in the manufacturing process throughout global value chains.
- **Germany advocates a global infrastructure initiative which will lay the groundwork for lasting economic growth.** This initiative is designed not only to promote economic development and improvements to the transportation grid, but also to take advantage of Germany's technological advantage in renewable energy, which is an area of significance for German exports.
- **Germany supports reforms in the funding system for multilateral organizations** which will require timely and reliable contributions from all G20 member states. This could send a strong signal to the large number of smaller contributors to comply with their obligations as well.

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Background

In December 2016, Germany will take over the presidency of the “Group of 20” (G-20) from China. Since the financial and economic crisis of 2008, this forum has brought together the world’s leading industrialized and emerging countries at the head of state and head of government level. The presidency gives Germany the opportunity to shape the international agenda for overcoming a wide variety of global challenges. The German government has already announced that its presidency will have three themes: “stability, sustainability and resilience.”

In this and two other papers, Konrad-Adenauer-Stiftung’s Working Group of Young Foreign Policy Experts makes proposals as to the points which the German government should focus on, as well as ideas for resolving global problems which should be pursued within the G20. In this way, the young foreign policy experts will be helping to shape Germany’s international responsibility in a concrete way.

This first paper is about sustainable development policy. The two other papers relate to the promotion of global economic growth and the importance of global health for security and stability.

Introduction

Germany’s development policy aims to achieve lasting and noticeable improvements in the living conditions of residents of the target countries. The success of these measures depends not only on Germany’s political and financial efforts, but above all on successful cooperation with G20 group countries to implement Agenda 2030. This includes 17 Sustainable Development Goals (SDGs) which were agreed upon in 2015 by the international community. Global reforms and initiatives resulting in positive developments on the international and local levels can only be initiated together. Although interests often vary widely within the G20, there are also many areas of overlapping interests where stronger cooperation would benefit all G20 member states.

The development policy initiatives proposed here are designed to target these overlapping areas of interest. They call for creating a single global sustainability seal, a global infrastructure initiative and a reform of the funding system for multilateral organizations. The German government could have a major impact with all three initiatives and further strengthen Germany’s international reputation as a key player in multilateral development cooperation.

I. Creation of a Single Global Sustainability Seal

1. Initiative

During its presidency of the G20 in 2017, Germany should advocate for the creation and recognition of a global (applicable to all industries and products) sustainability seal for production and supply chains.

2. Goal

The initiative to create a single global sustainability seal essentially has three closely related goals. First, it aims to **increase transparency in global production and supply chains**. Increased transparency means making available more information about the specific social and working conditions during the manufacturing process all along the production and supply chain. Increased transparency can and should help draw international attention to products which are manufactured in conflict areas where social and labor standards are routinely violated.

More transparency

Creating clarity in heavily fragmented markets

Focusing on only a few key standards

Secondly, a global sustainability seal will lead to more **consistency and clarity in the setting of sustainable certification standards** in markets which are heavily fragmented in some cases. At the moment, there are a large number of national and international environmental and social seals with very different criteria, standards and verification mechanisms. This makes the process of certifying manufacturers unnecessarily complex and difficult for consumers to understand. A single global seal would therefore have to incorporate three dimensions of sustainability: ecological, social and economic. These three dimensions of sustainability would act as flexible¹ minimum standards for all types of products. In general, the seal should focus at first on a few key standards which are most likely to eliminate abuses. This includes e.g. ensuring that the products to be certified are free from exploitative labor practices and do not involve massively wasteful exploitation. Limiting the focus to a few clear criteria based on the motto "worst first" will raise the profile of the initiative and facilitate its implementation worldwide.

Thirdly, increased consistency and transparency would result in equivalent standards and therefore **more equal conditions for all market participants** (*level playing field*) than is the case today. This would make a lasting positive contribution, particularly for manufacturers in developing economies, who would be able to adhere to consistent global manufacturing standards.

3. Procedure

The successful creation, implementation and eventual monitoring of a global sustainability seal will require advance consideration of various aspects. Firstly, it is necessary to determine which organizations would be most suitable to award the seal and monitor adherence with its requirements, and whether it will be possible to use existing structures. Since the goal is a single global seal, it would appear expedient to identify an existing international organization at the UN level with as many member states as possible as the central body. One possibility would be the United Nations Conference on Trade and Development (UNCTAD), since that organization is already engaged in global trade and development. Moreover, with 194 member states, it is also a broadly representative and political neutral body. To allow it to fully perform the functions of a watchdog organization for global sustainability standards, it would be necessary to extend UNCTAD's mandate and staffing in accordance with its new mission. The German government could therefore invite UNCTAD

Awarding from an UN-Organization

Inviting UNCTAD as participating organization

to take part in the G20 as a participating organization in order to raise the political profile of the global sustainability seal project at an early stage.

Inspecting the entire production and supply chain

With an extended mandate and a larger staff, it would be UNCTAD's task going forward to develop and define consistent sustainability standards for the global seal and to assist and support its members with regard to implementation and monitoring. The G20 could provide UNCTAD with assistance in the development of consistent sustainability standards from an early stage. Particularly weak states with little experience in the application of international sustainability standards could benefit from UNCTAD's advisory support, particularly with regard to reporting and tracking. In order to ensure that monitoring will be as extensive as possible, UNCTAD must have the ability to inspect the entire production and supply chain, which would be highly work- and cost-intensive given the present scope and complexity of international production and shipping. This also raises the related question as to whether e.g. the recycling of materials should play a role in the global sustainability seal. Another question to be discussed is whether certain economic sectors should be prioritized and certified more quickly than others due to their relevance² for the global economy. Since the seal is conceived as a voluntary sustainability and transparency initiative for the time being, the possibility that manufacturers (companies) will not take part must also be considered.

Revoking the seal in cases of violation

For UNCTAD to be able to function as a credible monitoring organization, it must also have the authority to revoke the seal in cases where sustainability criteria are violated. The ability to revoke the seal must be based entirely on criteria which are defined and agreed upon in advance. In this way, the German government could play a key role with regard to the global introduction of high environmental and social standards within UNCTAD and contribute its expertise, as has already occurred with regard to bilateral development cooperation³. This could have a major impact in the field of international development cooperation as well as strengthening a UN organization politically and it would be a valuable contribution towards effective multilateralism.

4. Grounds

Consistent industry-wide transparency and sustainability standards

Although interests vary within the G20 group, there are a number of EU states which have a particular interest in creating consistent industry-wide transparency and sustainability standards. Not only in western industrialized economies, but in developing economies as well, there are now a growing number of companies which would benefit if their products had a "cleaner" image, and which are drawing an increasing amount of critical scrutiny from the international public.

Producers and consumers benefit from a consistent seal

This is particularly the case for companies in western industrialized countries, but is increasingly true in developing economies as well. A global product seal would improve both actual sustainability and public consumer confidence for all manufacturers. The G20's market power could therefore set in motion a process which is already underway on many levels, but has until now been fragmented and therefore ineffectively implemented.

Favorable timing to implement a global seal

The timing for such an initiative from Germany would be favorable because transparency mechanisms concerning trade with conflict minerals are currently being negotiated and developed at the EU level. With this initiative, Germany could further raise its profile as a global leader in social and ecological sustainability in development cooperation.

II. Proposal for a Global Infrastructure Initiative

1. Initiative

Developing the G20 Global Infrastructure Hub further

Germany advocates the further development of the G20 Global Infrastructure Hub and a significant increase in funding for the subsidization of infrastructure projects consistent with national strategies, such as the promotion of “clear energy” and “on-the-job” vocational training.

2. Goals

Extensive investments in infrastructure are necessary

The initiative to further develop the G20 Global Infrastructure Hub and significantly increase and extend funding for infrastructure projects is designed to address one of the most important structural problems associated with economic development, and one which limits growth in both industrialized and emerging economies. The goals of the initiative are, first of all, to **invest in all areas of infrastructure** and to meet the estimated USD 20 trillion in required investments through 2030.⁴ Secondly, the initiative aims to raise more funds for mid- and long-term infrastructure improvements by means of public-private partnerships. Thirdly, improved infrastructure is to create a **solid basis for sustainable economic growth** in order to exploit the full potential of deeper international cooperation and globalization.

3. Procedure

Extending the term of the G20 Global Infrastructure Hub

The creation of a G20 Global Infrastructure Hub was proposed by the Australian presidency of the G20 with the aim of improving the coordination of infrastructure projects and collecting and providing data and know-how for interested states, companies and organizations for this purpose. But in view of the fact that the need for investments in public infrastructure remains undiminished, the G20 Global Infrastructure Hub is to be extended beyond the three-year term which was originally set down in 2014. Accordingly, the German presidency should seek to maintain the G20 Global Infrastructure Hub beyond its original target date and ensure that it has adequate resources. The German government should make clear that the creation of such an institution to further a goal of the G20 may be unusual but is nevertheless justified in view of the enormous need.

The enormous need justifies the creation of an institution

Germany should take advantage of its presidency to win over the G20 in favor of continuing the G20 Global Infrastructure Hub. At the same time, this must be accompanied by a significant increase in funding for the banks providing infrastructure aid. Moreover, the G20 nations should commit themselves to invest more heavily in their domestic infrastructure and to participate in a regular reporting mechanism.

Infrastructure aid as an inter-regional priority

The G20 states should also take advantage of their unique composition to make lasting infrastructure aid into an inter-regional priority in terms of an SDG, applying to industrialized, emerging and developing countries alike. Through their membership in various regional organizations, regional heavyweights like Brazil, China, India and Indonesia could generate a strong multiplier effect which extends beyond the G20 states.

4. Grounds

The need for infrastructure investments is immense in industrialized, emerging and developing countries alike. While industrialized nations need to spend billions to maintain existing infrastructure, especially to replace aging roads, bridges and rail-

Developing and emerging countries lack rudimentary basic infrastructure

road lines, developing and emerging countries often lack even rudimentary basic infrastructure. Developing and emerging countries in Africa especially often lack a railroad network and have inadequate roads and highways. The situation is similar with regard to the supply of water and electricity. Moreover, the development of renewable energy sources in all countries will require new transmission lines in order to extend the existing power grid. Some developing and emerging countries do not even have adequate and reliable power grids. In Africa, for example, more than 600 million people still do not have access to electricity. And even where households are connected to the power grid, a stable power supply is by no means guaranteed.

Infrastructure as a key prerequisite for high standard of living

Renewing infrastructure in industrialized countries is a key prerequisite for maintaining the high standard of living which currently exists in those countries. Adequate investments in infrastructure also have the effect of stimulating growth, which would benefit the global economy. In developing and emerging countries, massive infrastructure investments would not only have the direct effect of improving living conditions, but would also make it easier for those countries to participate in globalization and the positive economic effects which associated with it. In Africa, infrastructure improvements would unleash additional potential for growth by promoting intra-regional trade (keyword: "subregional connectivity").

It is in the German interest to eliminate obstacles to growth

As an economic power with a strong focus on exports, Germany has great interest in developing new markets and eliminating obstacles to growth, and above all inadequate infrastructure. At the same time, this would allow Germany to emphasize its status as an opinion leader in the field of sustainable economic and transportation development and to exploit its technological advantages, particularly with regard to renewable energy, in order to fuel its own exports.

III. Initiative for Reliable Financing of Multilateral Organizations

1. Initiative

Reliable financing for multilateral organizations is necessary

As part of its presidency of the G20, Germany will support an initiative to secure reliable financing for multilateral organizations, particularly the UN system. The G20 member states will commit themselves to make payments in a timely manner, setting an example for all contributors. In view of the global humanitarian challenges which we face today, such as the wave of refugees in Europe, the need for such an initiative is very strong. At the same time, outdated arrangements and rebates will be abolished so as to create a more efficient and transparent funding system.

2. Goal

UNHCR and WFP are severely limited by inadequate funding

The ability of multilateral organizations to operate and plan effectively, particularly the United Nations High Commissioner for Refugees (UNHCR) and the UN World Food Programme (WFP), is severely limited by inadequate funding and late payments. As a reliable contributor, Germany can join with its G20 partners to make a credible appeal to all member states to **ensure that the allocated funds are made available on time.**

Commitment to ensure reliable payment of contributions as a stimulus

3. Procedure

The voluntary commitment of the G20 member states to ensure reliable payment of their contributions to the UN system will have an impact on other member states.

At the same time, Germany can work to **raise the minimum contribution rate to the regular UN budget for the least developed countries from 0.001% to 0.01%**. Such a small symbolic contribution is no longer necessary in view of the recent global growth, particularly in developing countries, so that Germany should seek to return to the contribution rates which were in effect through 1998. At the same time, the upper limit for contributions from the least developed countries should also be raised (currently: 0.01%).

The unequal burden on member states can also be remedied by **abolishing tax equalization and travel expense subsidies for the least developed countries**. It is clear from the luxurious standards of the traveling delegations that these subsidies are no longer needed and that the relevant expenditures can be taken from the national budget. This would also reduce administrative expenses and create more transparency and equivalence in practice.

Abolishing tax equalization could induce the US to pay its outstanding contributions. At the same time, contributions from other member states would increase commensurate with their fiscal situation. This would strengthen their negotiating position vis-a-vis symbolic contributors which have refused to meet their commitments, citing the fact that the principal contributors have also failed to pay. In the medium term, this measure will not only result in more reliable funding of proven institutions, but also to a more equitable sharing of the burden among the member states.

More equitable burden-sharing

4. Grounds

According to a report by the UN Secretary General, the need for humanitarian aid has increased twelve-fold since 2000 due to the increase in crises and natural disasters. The fact that key organizations and agencies of the United Nations system, such as the UNHCR and the WFP, are underfunded and therefore overburdened, became evident in 2015 within the context of the influx of refugees. The deficient payment practices of many member states have exacerbated the chronic underfunding of some agencies and programs. Some member states have failed to meet their payment targets for years, in most cases for political motivations. Germany regularly meets its payment targets and is therefore in a position to make a credible appeal to all UN member states.

Budgetary pressure causes delays of planning and response

The G20 states together account for more than 80% of contributions to the regular budget of the UN system. However, even within that group, there is a minority of states which fail to make reliable contributions. A voluntary commitment by the G20 to make funds available on time could send a strong signal to the mass of smaller contributors that they should also meet their commitments. This will contribute to a more equitable sharing of the burden, the promotion of sustainable development and an ability to plan more effectively, while at the same time reducing administrative expenses in the UN system.

More effective ability to plan

- 1| "Flexible" means that the seal's requirements would be based on the latest technological, social and ecological standards at all times, which would have to be routinely examined and revised. "Flexible" does not mean that the standards will be negotiable: rather, one standard will apply for all actors.
- 2| Relevance is measured by the quantity of goods produced and the number of employees (e.g. the agricultural and textile industry).
- 3| GIZ/s approach, for example, uses the German government's criteria with regard to high environmental and social standards (<https://www.giz.de/fachexpertise/html/6865.html>).
- 4| Cf. G20 Infrastructure Hub, About, online (<http://globalinfrastructurehub.org/about/>).

Author

Working Group of Young Foreign Policy Experts

Further information at
<http://www.kas.de/wf/en/71.6391/>

Konrad-Adenauer-Stiftung e. V.

Contact:

Dr. Patrick Keller

Coordinator Foreign & Security Policy

Department of European and International Cooperation

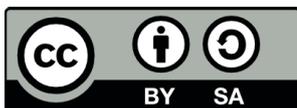
Phone: +49(0)30/26996-3510

Email: patrick.keller@kas.de

Postal address: Konrad-Adenauer-Stiftung, 10907 Berlin

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www.kas.de



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